The Peril of Usury in the Christian Tradition

M. DOUGLAS MEEKS
Professor of Theology and Wesleyan Studies
Vanderbilt University

Through the sixteenth century, the Christian tradition upheld the biblical denunciation of usury as the oppression of the poor and the neighbor. The church should critically retrieve this understanding as a contribution to the public discourse about the oppressive use of interest and debt in the current worldwide fiscal crises.

"Lend, expecting nothing in return" (Matt 6:35)

Polonius advises his son Laertes, "Neither a borrower nor a lender be."[1] And with good reason. Lending and borrowing are so much the source of unhappiness for many persons and the cause of havoc in society that it would be better to desist altogether. But is this well-worn advice given sarcastically or even naively? Borrowing and lending go with the human condition. Who has not borrowed? Who has not lent? Are not lending and borrowing simply ways of meeting human needs and aspirations? Why, then, is so much pain and even tragedy connected with this activity? The reason, according to the wisdom of the Christian tradition, is usury.

At least through the sixteenth century, the Christian tradition emphatically condemned usury. This condemnation took place even while various forms of interest were being practiced and sometimes vindicated. Is "usury," then, something different from "interest," and, if it is, what would be the value for our present economy of remembering what the tradition has taught about usury? Many people for whom market ways of thinking and acting are second nature, and that includes just about all of us in the global financial web, would find the word usury strange and might wonder why it should be remembered at all. Do we not live in an interest-driven economy and a debt society? Is it not taken for granted that everyone in this society at some time will be in debt and that the modern miracles of economic progress could not have happened without interest? Furthermore, have we not reached such sophistication in financial instruments that no one should be hurt by interest and debt? In fact, modern society goes for long periods forgetting the church's teaching about usury—until financial disaster strikes in the form of crushing recession, massive unemployment, loss of homes, and the degradation of the institutions and infrastructure of civil society. Then we hear public discus-

[1] William Shakespeare, *Hamlet,* Act 1, scene 3.

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

sion of unjust interest that sounds very much like the tradition's concern over usury. Even the old sumptuary laws (legal limits on income and consumption) seem suddenly relevant in the discussion of whether financial corporation executives should command gargantuan bonuses for nothing but success in earning money from money.

The Great Recession beginning, after a long percolation, in 2007, and whose end and long-range consequences are not yet in sight, is generally viewed as the result of "bad loans." It is not, as some ideologues insist, just a correction of the free market. It was occasioned in large part by the misuse of debt and interest, the exploitation of lending and borrowing, that is, usury, the very issue that the tradition had resolutely pressed. Large banks gave countless sub-prime loans without compunction to persons who would not be able to repay the loans because they could not afford the built-in rising interest payments and thus did not meet basic standards for loans. Massive defaults on subprime loans and hemorrhaging foreclosures led inexorably to a decline in house values that in turn exacerbated loan defaults. Enter an array of clever financial products called "derivatives." The terms of these instruments are so esoteric that not even the bankers understand them, much less the public. As a result derivatives get put in the system without regulators knowing what has happened.[2] Large banks bundled massive amounts of these toxic loans into bonds and sold them to other financial companies. We do not think of our large investment banks as loan sharks dealing in predatory lending and payday loans, but the long and short of it is that they justified themselves in making money off bad loans. Then bad became worse as they employed instruments like credit default swaps and synthetic collateral debt obligations to bet on which batch of loans would be paid and which not.[3] Stock and bond markets became in effect casinos in which financial institutions and individuals gambled with others' investments. And while institutional debt soared so too did credit card debt and defaulted student loans with vast implications for the quality of life of millions. The end result is a devastating global recession in which the lives of the poor all over the world are made increasingly precarious while many people in the developed world fall out of the middle-class as the industrial economy is overshadowed by the financial economy.

Usury, as I will claim, is recognized by the effect of impoverishing human beings. Usury does not happen in a vacuum. It always happens in a cultural ecology. The current worldwide economic crisis was made possible because of a culture shaped by the delusion that ways of creating wealth are endless even if these ways have no care for what is sold and to whom and with what consequences. The contagion of this delusion has affected borrowers as much as lenders. And thus, the recession of our time, though we thought we were on the way to an unstoppable economy of growth, has joined the long list of economic follies and bubbles in the West.[4] Our generation, too, has been guilty of saying, as so many in the past have said, "This time is different."[5]

---

[2] The Glass-Steagall Act of 1933 prevented banks from engaging in proprietary trading for their own profit with money deposited in their bank. Since this act was overturned, there has been a steady reduction of regulation of the financial sector of the economy.

[3] This story is told most accessibly and dramatically by Michael Lewis, *The Big Short: Inside the Doomsday Machine* (New York: W. W. Norton, 2010).

[4] The housing bubble now joins the Tulip Mania of the seventeenth century, the South Sea Company bubble of 1711–1720, the Mississippi Company bubble of 1719–1720, and not a few bubbles and crashes in United States history, all of which saw masses of people crazed by wealth promised by rising interest rates connected with a desired asset.

[5] Carmen M. Rinehart and Kenneth S. Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009).

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

There was a time when reflection on economy was in effect a branch of theology. Modernity has celebrated economic freedom from doctrines of Christian faith, but in the course of doing this we have forgotten, to our great peril, the richness of what the tradition taught about the character of usury in its devouring the poor and spreading injustice in many spheres of life. Before God (*coram Deo*), usury is a primary form of oppressing human beings to be resisted by those who belong to the economy of God (the household of Jesus Christ). The standard assumption of modernity was that at some point usury construed before God was a concept no longer needed. The sophisticated economy outgrew the old theological restrictions. If we just understood and trusted the intricate workings of the market, there would be no need to worry about interest degrading into usury. This is not so. The sophistication of the competitive market is no reason to disregard usury because it is no guarantee against usury. The complicated competitive market can and does also devour the poor. Interest, on the surface, seems such a small matter in the mix of things today, but the tradition shows that interest has vast implications. The inability to discern when interest becomes usury is no small matter; it is world-shaking. Where is the remembrance of the tradition today when we so much need wisdom about usury and interest?

USURY IN THE TRADITION

The question of usury in Christianity has a complicated and tormented history. Where did usury originate, how has it developed, and does rejecting usury really belong to the Christian community's mandate to be "in the world but not of it"? To tell the complicated story in capsule form: In the Hebrew and Christian Scriptures, God forbids as usury the taking of interest, especially from the poor or kin people or neighbors; the economic philosophy of Plato and Aristotle condemned interest because money is barren and cannot breed itself and because unrestrained interest leads to a break in the social fabric and ultimately to political chaos[6]; Roman law allowed interest but generally strictly controlled the rate of interest; the church fathers unanimously and venomously damned usury as against God's will; the Scholastic tradition condemned usury but developed sophisticated rules that allowed interest in some situations[7]; and the Reformation more or less followed the Scholastics but with increasing emphasis on individual conscience for determining what usury is and dependence on magistrates for keeping it under control.[8]

Finally, the seventeenth century, rejecting the traditional forbidding of usury by both revelation and natural law, set the modern pattern by esteeming the essential role of interest in the growth of the economy and allowing the competitive market to determine what interest is and how, if at all, it should be limited. With the rise of financial markets and large-scale production new doctrines about the selling of money replaced the church doctrines. Modern forms of accounting and rating loans and com-

[6] Odd Langholm, *The Aristotelian Analysis of Usury* (Bergen: Universitetsforlaget, 1984).

[7] John T. Noonan, Jr., *The Scholastic Analysis of Usury* (Cambridge: Harvard University Press, 1957); Thomas F. Divine, *Interest: An Historical and Analytical Study in Economics and Modern Ethics* (Milwaukee: The Marquette University Press, 1959).

[8] Norman Jones, *God and the Moneylenders: Usury and Law in Early Modern England* (Oxford: Blackwell, 1989); David W. Jones, *Reforming the Morality of Usury: A Study of Differences that Separated the Protestant Reformers* (New York: University Press of America, 2004); Eric Kerridge, *Usury, Interest and the Reformation* (Burlington, Vt.: Ashgate, 2002).

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

pound interest led to the increasing abstract character of interest. And the growing risks and hazards of lending and borrowing (as in the business of "bottomry" to cover the large risks of fortunes going to the bottom of the sea) led to the marriage of the financial and insurance worlds which we see prominently in today's financial crises. From that time modern economic theory assumes that the question of usury has been fundamentally obviated. The new views of interest without reference to usury arose at the same time Deism came into vogue with its assumption that God is not present in the economy and therefore reason and wants should guide all things economic. Though up until the mid-twentieth century there was a conscience, at least a feeling, about the danger of usury, the long road of decreased regulation of interest culminating in the current Great Recession was already taken in the seventeenth century.

Defining Usury and Interest. Before recalling the tradition, let us take a stab at defining "usury" and "interest." English translations of the Hebrew and Christian Scriptures tend to conflate "usury" and "interest" indiscriminately. It is important, however, to make a clear distinction between the two words. The church, I am arguing, should maintain the traditional meaning of "usury" while recognizing both the validity of "interest" and the necessity of regulating it.

The Hebrew word for "usury" is *nšk*, meaning literally "bite," while "increase" is the rendering of the Hebrew *marbît* or *tarbît* (*ribbit* in later Hebrew).[9] *Nšk* denotes the painfulness to the debtor, the usury that devours the borrower; *marbît* and *tarbît* denote the gain on the creditor's side. Usury takes a malicious bite out of the borrower; it threatens some form of slavery or the conditions that bring about a "death before death." The "pound of flesh" that Shylock demands in court as bond of his loan is an instance of this biting, this devouring.[10] Only if we understand usury (*nšk*) from God's perspective can we comprehend why the tradition consistently condemns usury as a form of oppression and yet, even in scripture, allows certain forms of interest.

How then should we understand "interest"? In the first sense and for much of the tradition "interest" refers to the interest or well being of the lender, not to the price of money in the loan. True interest (*verum interesse*) is a person's interest in a relationship of business (engagement in the production and distribution of the conditions of life). So from the Christian perspective, a loan (*mutuum*) should be regarded as a relationship in which two or more persons recognize mutual interests and this in support of the larger community. In the widest sense the question of interest denotes desire for the welfare of the other, both borrower and lender. The interest of the lender does not mean profit for the lender. Rather, it means both lender and borrower have genuine interests in the relationship, and the interests of both have to be protected. The lender's interest, of course, is most keen in the fact that in some cases the lender can be hurt if what has been lent is not returned. And this

[9] *Masah* is another Hebrew word which means "to take interest" or "to oppress." The translation of all of these senses in Latin is *usura* and sometimes *foenus*; in Greek, *tokos*.

[10] William Shakespeare, *Merchant of Venice*, Act IV, Scene 1. Kenneth Gross argues that in the trial scene, Shylock presents a mirror image of the profound Christian ambiguity about usury. See *Shylock Is Shakespeare* (Chicago: The University of Chicago Press, 2006), 43–54.

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

leads in the tradition to words governing loans such as: charity, covenant, trust, equity, loss, risk, and delay. It is from these concepts that the tradition developed the valid difference between usury and interest and ways of determining what can be permissible as licit interest.

God, Salvation, and the Poor. If we venture that Christian teaching about usury should have currency, how, then, should we go about critically retrieving the tradition on usury? The first thing we should remember about usury is that it is a theological term before it is an ethical and economic term. When "usury" is no longer related to the God of Israel and of Jesus Christ, as has happened in the modern world, it is replaced by a merely utilitarian consideration of interest.[11] But usury from the perspective of Christian faith belongs to the doctrines of God and salvation as the source of ethical questions about it. It has to be understood not just on the basis of God's command against usury but also in terms of the character, the being, of God. From the Christian perspective the ethical question should be determined by who God is and by God's relation to the poor.

So one large concern forms the background for the scriptural and traditional understanding of usury: It is God's self-identification as the gracious Creator of Israel through liberating the people of Israel from slavery. "I am the LORD your God, who brought you up from the land Egypt to your God" (Lev 11:45). The commands about usury are presupposed by the recognition of God's address to the people of Israel: Remember that you were a slave, I redeemed you from slavery and debt, I am compassionate.

The defining story of those who belong to the household (economy) of God begins, "Once we were slaves." Genesis 47 conveys the story of how in order to stave off the starvation of our children, we had to buy Pharaoh's storehouse commodity bread, and when our money was gone, our debt led to our loss of our land, our means of labor, and finally ourselves as we fell into the living death of slavery. God uncovers God's character precisely in the midst of foreclosure. But God does not foreclose. Thence we know that we are a gift of God. Once debt made us no people; now we are God's people.

The question of usury, then, belongs in the wide framework of the *oikonomia tou theou* (the economy of God). The primary question of economy in the ancient sense, as opposed to modern economics, is whether everyone in the household will get what it takes to survive the day ("give us this day our daily bread"). The Scriptures understand the economy of God in two primary senses: First, as God's way of redeeming the world, and secondly, as the peculiar household (economy) of God which is the church, called into being to serve God's redemption of God's creation. God's character is known through God's intention to redeem the world by creating home, the conditions of access to life, for all of God's creatures.[12] God's being is for the creation and is supremely expressed in God's

[11] This radical change was most influentially expressed by Jeremy Bentham in his *Defence of Usury* (1787).
[12] M. Douglas Meeks, *God the Economist: The Doctrine of God and Political Economy* (Minneapolis: Fortress, 1989).

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

love for the kosmos embodied in the gift of God's Son (John 3:16). Usury is condemned because it works against God's homemaking for God's creatures. Usury is against God's being for the world. Usury on the face of it is evil.

Biblical Texts on Usury. The history of the Christian understanding of usury is largely the history of interpreting the Bible's perspectives on usury. Most of the tradition until modernity seeks to be faithful to the literal meaning of the scriptural commands on usury or to find ways of faithfully interpreting them to allow various forms of licit interest. Two sets of biblical passages loom large over the question of usury in Western history, one from the Torah and one from the Gospels. The first is "You shall not charge interest on loans to another Israelite, interest on money, interest on provisions, interest on anything that is lent" (Deut 23:19). The second is the command of Jesus "Lend, expecting nothing in return" (Matt 6:35). Jesus amplifies this command by saying "Give to everyone who begs from you, and do not refuse anyone who wants to borrow from you" (Matt 5:42), and he further instructs his disciples, "If you lend to those from whom you hope to receive, what credit is that to you? Even sinners lend to sinners, to receive as much again. But love your enemies, do good, and lend, expecting nothing in return" (Luke 6:34–35).

These two sets of injunctions taken together emerge again and again in the tradition as divine commands disallowing any interest, any increase at all on loans. They provide many strands of the tradition a haunting simple reason that any interest (any gain on what is lent) amounts to usury: God intends it. In the first sense, then, the Torah and the Gospels forbid all "increase" of debt by reason of lapse of time or forbearance. Through the sixteenth century most Christian theologians took these passages as the plumb line for thought about lending and other matters of exchange and reciprocity. The most important passages, however, the ones that provide the lasting, deepest meaning of usury, have to do with the oppression of the poor.

Do Not Charge Interest to the Poor. The subject of usury and usurers cannot be separated from the primary issue of God's relation to the poor. Two seemingly contradictory sayings about the poor that are uttered also by Jesus are found in Deut 15. The first speaks of God's intention that there will be "no one in need among you, because the Lord is sure to bless you in the land that the Lord is giving you as a possession to occupy. . ." (Deut 15:8). Poverty is evil in the sight of God. God intends the elimination of the conditions of poverty. The second suggests, however, that under the conditions of history there will always be poor in the community: "Since there will never cease to be some in need on the earth, I therefore command you, 'Open your hand to the poor and needy neighbor in your land'" (Deut 15:7–8). So with the assumptions of God's compassionate character expressed in God's redemption from slavery and of the knowledge that we were all once slaves (Deut 6:21), the com-

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

mand is given: "If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them" (Exod 22:25; cf. Deut 15:7).

God's concern for the poor is the primary content of biblical teaching about usury. Usury has to do with impoverishment. The poor need to borrow for the sake of their own and their children's survival and often cannot pay back the loan with interest or pay back the loan at all. Making the poor pay interest means enslaving them over time through their loss.[13] So taking a surplus beyond the principal in consumption loans to the poor is the exacting of usury. The poor belong to God; God gives them the right to conditions of life. What the poor need for life belongs to God (the "gleaning rights" of Deut 24:19–22 as expressed in the story of Ruth and Boaz).[14] What the poor need for life should not be considered alms; it is a peculiar form of loan. For the poor, the Torah speaks of loan as gift—loaning without the expectation of return.

Neighbor and Collateral. But obviously interest was practiced in Israel, and the Torah seeks to prevent interest from becoming usury. Beyond the command not to charge interest to the poor the scriptures specify two other restrictions on loans: 1) No interest is to be charged to kin or neighbor, and 2) no collateral is to be taken that threatens the well being of the borrower. There are three Biblical passages that forbid the taking of interest in the case of kin or neighbors within Israel but which permit it when the borrower is a foreigner (Exod 22:24; Lev 25:35–37; Deut 23:19–20). "If any of your kin fall into difficulty and become dependent on you, you shall support them; they shall live with you as though resident aliens. Do not take interest in advance or otherwise make a profit from them, but fear your God; let them live with you. You shall not lend them your money at interest taken in advance, or provide them food at a profit" (Lev 25:35–37).[15] Of course, these passages leave open the question that haunts the Christian tradition until today: Who is my neighbor, who is my kin?

Secondly, in recognition that the lender almost always has the advantage in a loan, the Torah places restrictions on collateral so that the borrower will not be crushed by the loan. "If you take your neighbor's cloak in pawn, you shall restore it before the sun goes down; for it may be your neighbor's only clothing to use as cover; in what else shall that person sleep? And if your neighbor cries out to me, I will listen, for I am compassionate" (Exod 22:26–38). The lender cannot take as collateral what

---

[13] Nehemiah gives an account of how the conditions of life are lost through usury:

> Now there was a great outcry of the people and of their wives against their Jewish kin. For there were those who said, "With our sons and our daughters, we are many; we must get grain, so that we may eat and stay alive." There were also those who said, "We are having to pledge our fields, our vineyards, and our houses in order to get grain during the famine." And there were those who said, "We are having to borrow money on our fields and vineyards to pay the king's tax. Now our flesh is the same as that of our kindred; our children are the same as their children; and yet we are forcing our sons and daughters to be slaves, and some of our daughters have been ravished; we are powerless, and our fields and vineyards now belong to others." I was very angry when I heard their outcry and these complaints. After thinking it over, I brought charges against the nobles and the officials; I said to them, "You are all taking interest from your own people." And I called a great assembly to deal with them, and said to them, "As far as we were able, we have bought back our Jewish kindred who had been sold to other nations; but now you are selling your own kin, who must then be bought back by us!" They were silent, and could not find a word to say. So I said, "The thing that you are doing is not good. Should you not walk in the fear of our God, to prevent the taunts of the nations our enemies? Moreover, I and my brothers and my servants are lending them money and grain. Let us stop this taking of interest." (Neh 5:1–10)

[14] The right to the conditions of life and the dignity of the poor were also recognized by instructions about tithes (Deut 14:22–19) and the obligation to pay wages promptly (Deut 24:15).

[15] Deuteronomy 23:19–20 seems to encourage the charging of interest to foreigners: "You shall not charge interest on loans to another Israelite, interest on money, interest on provisions, interest on anything that is lent. On loans to a foreigner you may charge interest, but on loans to another Israelite you may not charge interest, so that the Lord your God may bless you in all your undertakings in the land that you are about to enter and possess."

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

a financially stressed person, family, or community needs for life. Micah rages against the urban dwellers that demand securities for loans that press the poor into deeper debt (Mic 2:8–10). If the conditions of livelihood cannot be used as collateral, lending should be limited to serving the production and distribution of what is necessary for life.

The ultimate restriction on usury, however, comes with the Sabbath laws and with the command of Jesus: the forgiving of debts. "Every seventh year you shall grant a remission of debts. And this is the manner of the remission: every creditor shall remit the claim that is held against a neighbor, not exacting it from a neighbor who is a member of the community, because the Lord's remission has been proclaimed" (Deut 15:1–4). At the heart of living as a disciple of Jesus is the daily prayer, "Forgive us our debts as we forgive the debts of others." Debt puts the entire community in collective social liability. What God and we do with debt determines the quality of the community's life. Simply put, the forgiving of debts is the beginning of the community's redemption from usury.

The Tradition's Hatred of Usurers and Usury. The way one treats the poor is often taken as the sign either of righteousness before God or of a destructive spirit of avarice and greed. A verse from the Psalms that appears often in the tradition's arguments about usury states the case very simply: the righteous are those "who do not lend money at interest, and do not take a bribe against the innocent" (Ps 15:5).[16] And Proverbs plies the case against usury plainly: "The rich rule over the poor, and the borrower is the slave of the lender" (Prov 22:7), and "Whoever gives to the poor will lack nothing, but one who turns a blind eye will get many a curse" (Prov 28:27). Usury, as it were, has its own built-in punishment: "One who augments wealth by exorbitant interest gathers it for another who is kind to the poor" (Prov 28:8).

The prophets decry the enslavement of the poor for the non-payment of debt. "They sell the righteous for silver, and the needy for a pair of sandals" (Amos 2:6). Ezekiel classes lending on usury among the worst of sins: "The one who takes advance on accrued interest, shall he then live? He shall not . . . he shall surely die; his blood shall be upon himself" (Ezek 18:13). Hence, the lender on interest is compared to the shedder of blood. The Fathers, Dante, and Luther (among many others) follow suit by considering usury execrable and condemning usurers to excommunication and the lowest recesses of hell.

Church Fathers. The condemnation of usury and the revulsion of usurers in the tradition reach their height in the church fathers. They quote the same biblical texts and each other in impassioned denunciation of usury.[17] The fathers take the side of the borrower who suffers expropriation, slavery, or imprisonment because of the law against a defaulting debtor. The usurer is almost always seen as guilty of cupidity and hardness of heart. The patristic theologians have a strong sense

[16] Ezekiel describes as righteous the one who "does not oppress anyone, but restores to the debtor his pledge, commits no robbery, gives his bread to the hungry and covers the naked with a garment, does not take advance or accrued interest, withholds his hand from iniquity, executes true justice between contending parties, follows my statutes, and is careful to observe my ordinances, acting faithfully—such a one is righteous; he shall surely live, says the Lord God" (Ezek 18:7–9; see also 18:13, 17; 22:12).

[17] See Robert P. Maloney, "The Teaching of the Fathers on Usury: An Historical Study on the Development of Christian Thinking," *Vigiliae Christianae* 27.4 (December 1973), 241–65.

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

of the social evil brought on by the "insatiable rapacity" of usurers and their exorbitant charges of interest. They recognize the claim of God on the poor when they teach that what you do not need for life and for fulfilling your calling by God already belongs, by God's claim, to the poor.[18] The fathers, however, also excoriate the borrower for prodigality in choosing unwise risk. They should live by the hire of their labor not by begging or borrowing. Following Proverbs, the fathers generally thought credit relationships should be avoided altogether.[19]

Plato and Aristotle. It is difficult to overestimate the influence of Plato and Aristotle on Christian political and natural law thought regarding usury. Their thought enriches the Christian concern for the social, political, and personal consequences of usury. Plato's great worry about interest, which found rich resonance in the Christian tradition, was the social effects of usury. Plato thought a primary sign of the fall from democracy to tyranny would be a widespread insatiable desire for wealth. The unquenchable desire for more is the corruption of persons and ruination of harmony and peace in society. The powerful, recognizing that their power rests on wealth, encourage the desire for extravagance in spendthrifts, make them loans at enticing interest, and at the inevitable foreclosure end up owning their property.[20] The use of interest to gain wealth and placate the less skilled of the work force does not bring happiness but rather cancerous wounds to the community and state.[21] The resulting inequality of wealth leads to revolution against those who have gained property by lending.

The Scholastic Theologians and Roman Law. The Scholastic theologians, epitomized by Aquinas, worked out their views between the patristic denunciation of usury, on the one hand, and the reality of the new practices of lending with interest, on the other. Feudalism gave way to an economy increasingly shaped by city financial centers and houses such as the Fuggers that provided loans not just for consumption but also for wars, new functions of the state, expansion of the church, and new ventures in trade. Needed were careful distinctions between lending what is consumable for survival, lending for establishing a business and increased production, and lending for making money. The *telos* of the loan and its circumstances are decisive. The church viewed Christendom as a sphere in which all people were considered neighbors. In theory, then, all persons in Christendom should be considered kin and thus the biblical injunction against lending to neighbors and the catholic rules of lending should be in play.

Aquinas' perspective on usury is largely derived from applying Aristotle's economic thought to the patristics' interpretation of scripture. In his *Politics,* Aristotle distinguished two kinds of economy that are roughly equivalent to what we could call today the artificial and the real economy.[22] Usury belongs to the unnatural economy and is immoral.

---

[18] Aquinas sharpened this point with his argument that because whatever one has in superabundance is, before God, meant for the succor of the poor, stealing what is necessary for life is not theft (*Summa Theologica*, II/2, Q. 66, Art. 7). This is a reflection of Jesus' following the Torah allowance to go into the fields of another to pluck corn to satisfy hunger (Matt 12:1–6).

[19] "Do not be one of those who give pledges, who become surety for debts. If you have nothing with which to pay, why should your bed be taken from under you?" (Prov 22:26–27).

[20] Plato, *Republic*, Book VIII, 555.

[21] Raghuram Rajan argues that this is the reason for the massive expansion of easy credit in the Western countries since 1980. Instead of seeking ways to raise wages or develop the capabilities of workers or give more benefits to working families, financial corporations and governments simply extended easy credit to persons who were affected by the desire to consume and own but were not able to repay loans. See *Fault Lines: How Hidden Fractures Still Threaten the World Economy* (Princeton: Princeton University Press, 2010).

[22] "The are two kinds of wealth acquisition. One has to do with commerce, the other with household management. The latter is necessary and commendable, but the kind that has to do with exchange is justly disparaged, since it

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

The immorality of usury is determined by considerations of the character of money, time, and equity. Aristotle's view of money, decisive for the medieval and early modern understanding, centered on the distinction between fungible and nonfungible (durable) goods.[23] A fungible good is consumed; a nonfungible good, such as a house or a horse, grows in value during the loan relationship making what is lent more valuable at a later time. In this case justice requires a payment for the use of the object while in the borrower's possession, in addition to the return of the object. But to charge for using a consumption good would be to expect payment for something which does not actually exist. Aristotle viewed money as a fungible good. Since as a medium of exchange, the purpose of money is to be spent, it no longer exists for the spender once it is spent. In being lent money is consumed. Hence Aristotle reached his momentous conclusion that money is sterile: it cannot reproduce itself or provide any uses of its own. In the lending of money, as in all fungible goods, justice demands only the amount of the loan be returned. The moral use of money is acquisition for meeting the needs of the household.[24] Money should not itself be a commodity to be bought and sold.

Aquinas also argued that since time is a free gift of God's grace to which the lender has no exclusive title, one cannot charge for the time between the loan and its expiration. Finally, Aquinas thought equity prevented the lender from claiming a share in the profit that the borrower accrues as a result of a loan because the mutuum necessarily entails the surrender not only of the control but also the ownership to the borrower (hence the Latin name for loan *mutuum* = *meum*, *tuum* "mine becomes thine"). One has no claim to the fruit of what is no longer one's own.

The resulting canonical restrictions against any extra return upon a loan as violating the divine law prevented mercantile use of capital by Christians, and thus numerous ruses were invented to interpret and widen the canonical laws. Following concepts from Roman law,[25] the theologians and canonists developed extrinsic titles that made certain forms of interest legitimate by protecting the "true meaning" of interest.[26] The result was a more complicated treatment of interest with a more balanced insight into the various aspects of usury. Without taking an eye off the damage to the livelihood of the neighbor (borrower) that the Scriptures and church fathers had emphasized, the Scholastics paid more attention to the damage to the livelihood of the lender and to the potential moral damage to both the lender and borrower and to society and state. To do this they attempted to balance distributive justice and commutative justice in service of what we would call today social justice. The ethical consideration focused somewhat less on the social consequences of lending and the

---

is not natural but is a mode by which [people] gain from one another. Hence usury is very justifiably detested, since it gets its wealth from money itself, rather than from the very thing money was designed to facilitate. For money was introduced to facilitate exchange, but interest makes money itself grow bigger…. Hence of all kinds of wealth acquisition this one is the most unnatural." (Aquinas, *Politics*, 1.10.35–40)

[23] For the following see Divine, *Interest: An Historical and Analytical Study*, 212ff.

[24] See Odd Inge Langholm, *The Aristotelian Analysis of Usury* (New York: Columbia University Press, 1984).

[25] In Roman law, interest meant the compensation for damage of loss suffered by the creditor resulting from the debtor's failure to return the loan (itself gratuitous in principle) at the date specified by the contract." Div 3). This was the usage until the close of the Middle Ages.

[26] These titles were called *poena conventionalis* ("stipulated a penalty to be paid in event of repayment of the principal being delayed beyond a specified, agreed date . . ."), *damnum emergens* ("the title by which interest was claimed for losses to the lender arising from the loan itself" beyond usual transaction costs, such as the lender having his or her house damaged and suffering further damage because the money for repairs was in the loan), *lucrum cessans* (this "title arose when a lender, because he had not been repaid on time, missed an opportunity to profit elsewhere"), *periculum sortis* (here "the lender or investor shared the risks of the business with the borrower or partner," though the lender was not entitled to interest because of any loss or risk of loss. This applied where the "lender risked total loss of an entirely unsecured loan" such as in the sinking of a ship and its cargo). See Kerridge, *Usury, Interest and the Reformation*, 5–16.

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

motive of the lender and more on the question of commutative justice (that is, justice within the narrower confines of an individual to individual business transaction) in the intrinsic nature of lending and borrowing.[27] This brought about a broadening of the concept of interest but did not remove the tradition's censure of usury.

In the history of economics, the tale is often told that the Reformation loosened the church's condemnation of usury and in so doing paved the way for the rise of what we know as capitalism. In actuality, the Reformation changed little in the Scholastic view of usury as Luther, Melanchthon, and Calvin attempted to create an ethic of virtue in society in which charity was to train the freed conscience to recognize and resist usury.[28]

USURY TODAY

What does a critical reception of the tradition on usury suggest for our understanding of usury today? The tradition recognizes that lending can be a good and necessary human act. There are situations in which borrowing is a life or death matter. In fact, the lives of millions of people even today depend on loans of what will be consumed to survive the day, but these are often loans that cannot be repaid. The tradition has also recognized the good that lending at interest can accomplish. It would not do to deny the self-evident effect of credit and interest in the truly stunning achievements of modern industrialized society. Interest is an economic device that can benefit the welfare of individuals and the economy of a society.

But in interest, there always lurks the possibility of usury and thereby the ruination of human lives and society. As soon as interest enters the picture, life can be in jeopardy. It often leads to debt, and sustained debt usually leads to some form of modern slavery. With the growing complexity of economics there are increased possibilities for the borrower to be taken advantage of and hurt. The market mechanisms of interest are like a drone operated with great technical precision thousands of miles from its target that ends up killing innocent children. Some take pride in complex instruments for making money through loans, but often there is no control mechanism to keep the system from oppressing the poor who enter it or innocents totally outside the lending and interest system. This could be likened to the stupendous technology by which a drilling operation in deep-sea water is constructed without technology to control the disaster when it fails. Widespread debt effects and degrades the whole global society.

Therefore, lending and borrowing with interest have to be regulated. This requires the willingness of the government to enter into regulation of the financial market in full realization that the government too must be under constant surveillance and restraint. The Christian memory should be applied to the question of how to establish equity and charity that make interest just, that prevent it

---

[27] Divine, *Interest: An Historical and Analytical Study*, 41.

[28] Eric Kerridge (*Usury, Interest and the Reformation*), by scrupulous attention to their writings on usury, has shown that the principal reformers did not give up the traditional denunciation of usury but rather argued that usury must be combated at the level of human desire and conscience. One of the most important treatises on usury in the Christian tradition is Thomas Wilson's *A Discourse Upon Usury* (1572), in which the teachings of the Scholastics and Reformation theologians are dramatically summarized.

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

from damaging the fabric of life. The careful way the Scholastics and the Reformation theologians worked at defining interest that is not usury, interest that does not bite the poor and does not ruin commutative justice in business relationships, suggests the kind of serious theological and ethical work that needs to be done in our time.

We are smart enough to control large-scale lending mechanisms because we created them. They do not emerge from nature but are our artifice. We are smart enough, but are we wise enough? Developing a humanized system of regulating interest is of course extraordinarily difficult, since the interest of all parties whose livelihood is at stake, which means everyone in a tightly woven economy, must be taken into account.

The regulation of large-scale lending institutions should begin with the renewed recognition that the market exists to serve the good of society, not vice versa. Lending institutions can be accountable to the society in which they exist only if their operations are transparent. This would require trading to move into public clearinghouses, third parties that validate that the trading partners are actually making the trade they say they are and that they have the money entailed in the trade. Ways must be found to assure that risk is equitably shared.

The most urgent matter, however, is finding means to protect those who are not principal stakeholders in loans and instruments to make possible lending to the poor in ways that do not devour them, that do not render them servile or counter dependent, that give them dignity, self-confidence, and independence. Lending systems should exist to make persons capable of contributing to the good of the community. This goal should guide the regulation of lending. The mircolending experiments of the visionary economist Mohammad Yunus and others are encouraging.[29] But studies show that mircolending does not solve entrenched poverty, and that when mircolending institutions prove successful, they become quickly prey to companies that take them over to practice usury in the old predatory forms.

In the end, gifting is more basic than loaning. A viable, non-exploitative system of loan depends on a social foundation in which there is a matrix of giving. Those values that make non-oppressive loaning possible, such as, discipline of time, productivity, and delay of gratification can be learned only in communities whose living tissue is created by the web of gifting, gifting that creates responsibilities and the power to fulfill responsibilities. Gifting makes just loaning possible.

Finally, the problem of interest and debt is not only a complex question of the governance of transactions but also a spiritual problem. The inordinate desire for wealth leads to the *libido dominandi*, the desire to dominate. We have developed a mindset that does not even recognize this domination. We live in a culture that so highly regards the free market that it is not able to recognize how domina-

[29] See two books by Mohammed Yunus: *Banker to the Poor: Microlending and the Battle against World Poverty* (New York: Public Affairs, 2003) and *Building Social Justice* (New York: Public Affairs, 2010).

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015

tion and oppression can take place within the mechanisms of the market that are supposed to be value-free. The biting of the poor and the neighbor, the devouring of what families need for life, the lack of regard for the other's welfare mark our public life like a plague.

In the world of profit and loss, of risk and hazard, we all, if only occasionally, feel the ambiguity and arbitrariness of lending and interest. And, if only in fleeting moments, we feel the mostly hidden shamefulness of profiting from and exploiting the poor. As we seek to escape our own indebtedness (moral and otherwise), we should not forget that our generosity, our receiving ourselves by giving ourselves, is itself a gift of God's grace, not a loan putting us in debt. In the question of usury, the most important contribution the church can make is the witness to God's transforming economy of grace.

Downloaded from int.sagepub.com at University of Bristol Library on March 18, 2015